



## **Commonwealth of Kentucky Finance & Administration Cabinet**

**Matthew G. Bevin, Governor**

**William M. Landrum III, Secretary**

**FOR IMMEDIATE RELEASE**

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### **Audit finds more than \$3 million in inappropriately awarded claims through state Workers' Comp program during Longmeyer tenure**

**FRANKFORT, Ky. (Oct. 24, 2017)** -Today, the Finance and Administration Cabinet announced the results of a nearly year-long audit into financial mismanagement and improprieties under the prior administration involving the Commonwealth's self-insured Workers' Compensation Program.

The audit, requested by Personnel Cabinet Secretary Thomas B. Stephens, uncovered over \$3 million in claims inappropriately awarded under the direction of the former executive director who served under former Personnel Cabinet secretary Tim Longmeyer who is currently serving 70 months in federal prison for bribery. The Workers' Compensation Program, part of the Personnel Cabinet, provides medical and disability benefits to employees who may experience a work-related injury or illness.

Auditors found 23 claims improperly paid because of unilateral decisions made by the executive director against the advice of professional adjusters and legal counsel. In many cases, the decision to award death benefits was made over the objections of adjusters and before review of any evidence about the cause of death.

Other findings relate to the former executive director's selection of private counsel to litigate disputed claims, a duty previously handled by the third party administrator.

Sec. Stephens explained that he and his staff first noticed irregularities in the administration of the Workers' Compensation Program soon after coming into office. Certain classes of claims appeared to have been given preferential treatment, circumventing the standard review process.

Additionally, concerns came to light about the assignment of outside attorneys handling Workers' Compensation cases for the program. According to the audit, "the previous executive director received basketball tickets from law firms, as well as a national workers' compensation research firm, both providing workers' compensation services." The audit concluded that this created "a conflict of interest that may have influenced the selection of attorneys as counsel for the Commonwealth."

In one example, the auditors found that the former executive director, in consultation with the executive director of the Kentucky Fire Commission, made the compensability decision knowing that the claimant had alcohol in his system and a preexisting condition. In another, the former executive director reversed a prior denial decision almost two years later without the benefit of any additional medical or factual evidence supporting reversal. Further, the former executive director requested the program's third-party administrator to restrict communication with other Cabinet employees who raised questions regarding her preferential handling of certain claims.

"I was glad to have my Office of Policy and Audit work with the Personnel Cabinet on this audit," said Finance and Administration Cabinet Secretary William M. Landrum III. "I commend our audit team for their work to ensure state resources are used appropriately."

"This audit brings to the surface yet another example of the prior administration's lack of oversight and complete disregard for the prudent management of a state program. We thank the Finance Cabinet and its audit team for their detailed and thorough examination of the program and these issues. We have taken their recommendations into account and are implementing policies and procedures to

ensure that the program is operated in an ethical, transparent manner and in the best interests of the Commonwealth and taxpayers,” said Secretary Stephens.

A complete copy of the audit is available upon request by calling 502-564-4240.

Additional information is available here <http://finance.ky.gov/>

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